

BAA Questions and Answers

Any questions regarding the Broad Agency Announcements must be submitted by e-mail only to response@capcities.net no later than 12:00 PM Eastern on Friday, October 31, 2014. Proposals must be received no later than 12:00 PM Noon Eastern on Friday, November 14, 2014.

1. Will ETFs be considered in either search?

No.

2. We have not yet been reviewed by CapCities, will this limit our chances of success in the RFP?

No.

3. Given our current size, we do not have plans to become GIPS compliant. How important is GIPS compliance to CapCities and to its client?

GIPS compliance is preferred.

4. For the Indiana Deferred Compensation Plan search, would you consider an equity L/S FoHF that has quarterly liquidity with 45 days notice and a beta of about .5 to the market? We are currently providing daily valuations based on a proprietary in-house model to one of our investors that has us in their defined contribution plan.

All vehicle types will be considered, however, the product must support daily valuation and any other contractual requirements of the recordkeeper as outlined in Exhibit A.

5. Are you open to a collective trust fund investment structure in addition to mutual fund structure?

Yes; however, the product must support daily valuation and any other contractual requirements of the recordkeeper as outlined in Exhibit A.

6. Also, is this for a municipality and if so, are there any special document requirements?

There are no special document requirements.

7. Can you please confirm if a separate account is an allowed vehicle? It's not clear to me if a separate account structure would satisfy the Recordkeeper Requirements that ask for daily price information to be sent and for trades to be made based on the previous NAV.

Any vehicle that is capable of being valued on a daily basis, and the manager is willing to value the vehicle on a daily basis and comply with the first requirement stated in Exhibit A of the Recordkeeper Requirements will be considered.

8. For the minimum requirement "...they manage significant assets (\$200 million or more) in the area for which it competes." Is that in reference to the strategy we are submitting or the organization as a whole?

The statement refers to the strategy in which you are submitting.

9. Would you consider strategies that are not daily valued?

No.

10. Recordkeeper Requirements, page 15 of the BAA. My firm is concerned with item 6, which I copied below with my comments and ask for your clarification.

Requirement:

(6) The vendor must send wires before the market closes for redemption trades sent the same day.

Comment:

Since mutual funds are only traded once per day at 4pm pricing, we cannot send a wire for a same day trade until the following morning after the redemption posts.

That should be okay. Great West has T+1 settlement. For example, any redemption with today's TD 11/4/14, Great West would expect settlement 11/5/14.

11. With regards to Exhibit A (recordkeeper requirements) item #4: The vendor must provide daily share positions to Great-West Treasury for reconciliation purposes. Could you kindly clarify how these are to be received? It is through NSCC or other means? If other means, what is it?

If the funds trade via NSCC, Great West's preference is to receive positions via NSCC as well. If the funds trade via fax, Great West would need positions sent via email or access to a website or DST Vision to obtain them manually.

12. Will you want private real estate as a stand-alone investment option in plan menu or as part of target date our multi-asset strategy?

It is anticipated that Alternatives will only be utilized within the custom Target Date Options.

13. Can "fund of funds" products look to underlying funds to meet asset and inception requirements?

Products with low assets and/or limited track records will be considered on a case-by-case basis. In this situation, underlying managers who meet asset and/or track record requirements will be viewed more favorably.

14. What are the total return and total volatility expectations (ranges) for the strategy under consideration?

The Plans' objective is to ensure the Alternatives strategy will provide diversification by exhibiting low to negative correlation to a traditional portfolio comprised of equities and fixed income. No total return or total volatility expectations are specified for this search.

15. Is there anything that would automatically exclude a strategy from consideration (e.g., leverage)?

Products that could not meet the recordkeeping requirements would automatically be excluded.

16. Is there a maximum or target equity beta range for the strategy under consideration?

No.

17. Please confirm what the Indiana Deferred Compensation Plan has for a desired length of track record for commingled vehicles in both the (a) core-plus fixed income strategy and (b) unconstrained fixed-income strategy. Additionally, please confirm if track records of any length would be automatically ruled out of consideration.

As noted in the BAA, it is desirable that the key decision makers will have worked together for a minimum of three years. Products that do not demonstrate this track record will be considered on a case-by-case basis.

18. We currently have an established relationship with Great West Life, who will be serving as record-keeper for this plan. Given that, we do not see any operational issues related to this proposal since the requirements are currently in place. What is the NSCC participant number for Great West is so that we can be sure that it is the same one as we have set-up?

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19. Regarding question K on page 4 of the document, we do not meet the "Buy Indiana" criteria. Will this be an issue?

No.

20. Can you confirm we should be completing this request as of 6/30 instead of the most recent quarter end?

Please complete as of June 30, 2014; however, please go ahead and provide September 30, 2014 return data within V. PERFORMANCE, Question A if it is available.

21. Please confirm that the requested data is as of June 30, 2014 not September 30, 2014.

Please complete as of June 30, 2014; however, please go ahead and provide September 30, 2014 return data within V. PERFORMANCE, Question A if it is available.

22. In regards to the RFP, “Candidates should be able to demonstrate that they manage significant assets (\$200 million or more) in the area for which it competes. Organizations with less than \$200 million in the area for which it competes will be considered on a case-by-case basis.” We do not have any assets in our mutual fund at the moment – would this prohibit us from responding even though our assets invested in hedge funds on the private placement side are around \$12bn?

Products with low assets and/or limited track records will be considered on a case-by-case basis. In this situation, managers who have assets and/or track records managing similar strategies will be viewed more favorably.

23. Do you require a commingled trust, or will a 40 Act mutual fund structure be considered?

Both will be considered.

24. If the strategy that we plan to submit does not have a track record, will it still be considered? We do have a track record investing in private hedge funds, but not for our mutual fund offering.

Products with low assets and/or limited track records will be considered on a case-by-case basis. In this situation, managers who have assets and/or track records managing similar strategies will be viewed more favorably.

25. The bulk of our assets are on the private placement side– should we include asset sizes for these pools as well?

Please note these assets but clarify that they are private placements within the BAA response.

26. For pg. 5 Q. 2B – our hedge fund AUM does not map back to the categories that are listed in this question. Instead, they map back to hedge fund strategies including Relative Value, Macro, Long/Short Equity, Credit, and Merger Arbitrage/Event. Can we use those buckets instead?

Yes.

27. For Section VI (Performance & Risk), we do not have a performance to provide, so could we provide this information for our diversified flagship hedge fund of funds?

Yes, but please clearly note that the performance is for a different product within the BAA response.

28. Would the timing of our early 2015 launch work with Indiana Deferred Compensation's own timing, or would this timeline prohibit us from responding?

Products with low assets and/or limited track records will be considered on a case-by-case basis. In this situation, managers who have assets and/or track records managing similar strategies will be viewed more favorably. The findings of the Alternatives' search will likely be presented to the Indiana Deferred Compensation Plan Committee in February of 2015. As a result, it is preferred that products be launched by that date.

29. Would you provide details on the investment objective and benchmark for this 'unconstrained fixed income' mandate?

Unconstrained fixed income managers typically do not construct portfolios based on a given benchmark, thus have the ultimate flexibility to adjust the exposures of the portfolio (duration/yield curve, quality, country and currency positioning, sector allocations) to reflect views on the market's opportunities and risks.

30. In reference to question #2, please clarify whether the vendor needs to receive the wires for the redemption the same day for trades done outside of NSCC?

Yes, if Great West has received price protection for the prior day.

31. We are seeking clarification on line 6 of Exhibit A (Recordkeeper Requirements). Please clarify the settlement expectations with regard to the following language: "the vendor must send wires before the market closes for redemption trades sent the same day."

Great West has T+1 settlement. For example, any redemption with today's TD 11/4/14, Great West would expect settlement 11/5/14.

32. Will illiquid alternative asset funds be considered if they are daily valued and a small percentage of the Target date fund allocations?

No.

33. Is the Exhibit A requirements apply to separate managed accounts?

Any vehicle that is capable of being valued on a daily basis, and the manager is willing to value the vehicle on a daily basis and comply with the first requirement stated in Exhibit A of the Recordkeeper Requirements will be considered.

34. We have one question from the investment policy on which it would be great if we could get clarification. “Investment Managers include mutual funds and commingled investment vehicles, and as otherwise provided through a contractual agreement between the parties.”

Can we confirm that this means that there is no additional contractual arrangement required if the committee selects a mutual fund to be an option in the Plan?

As long as a trading agreement is in place with Great West, no additional contractual arrangement is necessary.

35. We would like to submit a proposal for our LLC – we do not have an institutional mutual fund, would the following be considered?

The vendor must send price/dividend information to NSCC (mutual fund profile) by 6:30 pm EST. As a back-up, the vendor must be able to send price/dividend information via e-mail/fax by 6:30 pm EST.

Our LLC funds are not on NSCC at this point. Price/Dividend Information is distributed daily between 6pm EST and 6:30pm EST.

Yes, this would be acceptable.

36. Will you be dividing the \$32m mandate size into several allocations or will you be looking to go with just one manager.

The Committee is re-evaluating the opportunity set of investment managers for the Alternatives style and may diversify the current allocation which represents \$32 million. One or multiple products could be considered to diversify the allocation.

37. Are there return targets or volatility targets? Or just low/negative correlation to traditional portfolio?

There are no return or volatility targets. The Plans’ objective is to ensure the Alternatives strategy will provide diversification by exhibiting low to negative correlation to a traditional portfolio comprised of equities and fixed income.

38. What is the current allocation at the moment? Are you looking to replace or complement?

Complement. The Committee is re-evaluating the opportunity set of investment managers for the Alternatives style and may diversify the current allocation which represents \$32 million.

39. Preference for Mutual fund, co-mingled, SMA?

All vehicle types will be considered, however, the product must support daily valuation and any other contractual requirements of the recordkeeper as outlined in Exhibit A.